



February 22, 2002

ENGROSSED SENATE BILL No. 19

DIGEST OF SB 19 (Updated February 20, 2002 5:57 PM - DI 103)

Citations Affected: IC 6-1.1; IC 6-2.1; IC 6-2.5; IC 6-3; IC 14-33; noncode.

Synopsis: Property tax exemption for religious property. Eliminates certain tax exemptions for income and property of an otherwise exempt organization that are earned or used in a trade or business that is not directly related to the purposes for which the organization is exempt. Repeals a provision concerning taxation of property used in a trade or business. Makes conforming amendments to a statute providing a property tax exemption for the property of various charitable organizations. Provides for a maximum of 50 acres for tracts of land that are exempt because an exempt building is situated on the tract. Preserves the 15 acre limitation for a tract of land that contains a parsonage. Allows certain churches or religious institutions to file a claim for a refund for taxes due and payable in 2001. Establishes an interim study committee.

Effective: Upon passage; July 1, 2002; January 1, 2003.

**Zakas, Riegsecker, Craycraft,
Adams K, Alting, Simpson, Jackman,
Hershman, Miller, Broden, Long,
Paul, Weatherwax**

(HOUSE SPONSORS — BAUER, BURTON, ALDERMAN, KUZMAN)

November 20, 2001, read first time and referred to Committee on Governmental and Regulatory Affairs.

January 31, 2002, amended, reported favorably — Do Pass.

February 4, 2002, read second time, amended, ordered engrossed.

February 5, 2002, engrossed. Read third time, passed. Yeas 48, nays 0.

HOUSE ACTION

February 11, 2002, read first time and referred to Committee on Ways and Means.

February 21, 2002, amended, reported — Do Pass.

ES 19—LS 6137/DI 103+



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February 22, 2002

Second Regular Session 112th General Assembly (2002)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2001 General Assembly.

ENGROSSED SENATE BILL No. 19

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

- 1 SECTION 1. IC 6-1.1-10-16, AS AMENDED BY P.L.198-2001,
2 SECTION 28, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2002]: Sec. 16. (a) All or part of a building is exempt from
4 property taxation if it is owned, occupied, and used by a person for
5 educational, literary, scientific, religious, or charitable purposes.
6 (b) A building is exempt from property taxation if it is owned,
7 occupied, and used by a town, city, township, or county for educational,
8 literary, scientific, fraternal, or charitable purposes.
9 (c) A tract of land, including the campus and athletic grounds of an
10 educational institution, is exempt from property taxation if
11 (1) a building ~~which~~ **that** is exempt under subsection (a) or (b) is
12 situated on it; and
13 (2) the tract does not exceed **fifty (50) acres.**
14 ~~(A) one hundred fifty (150) acres in the case of:~~
15 ~~(i) an educational institution;~~
16 ~~(ii) a tract that was exempt under this subsection on March~~
17 ~~1, 1987; or,~~

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- (B) two hundred (200) acres in the case of a local association formed for the purpose of promoting 4-H programs; or
 (C) fifteen (15) acres in all other cases.

(d) A tract of land is exempt from property taxation if:

(1) it is purchased for the purpose of erecting a building ~~which~~ **that** is to be owned, occupied, and used in such a manner that the building will be exempt under subsection (a) or (b);

(2) the tract does not exceed **fifty (50) acres; and**

(A) one hundred fifty (150) acres in the case of:

(i) an educational institution; or

(ii) a tract that ~~was exempt under this subsection on March 1, 1987;~~

(B) two hundred (200) acres in the case of a local association formed for the purpose of promoting 4-H programs; or

(C) fifteen (15) acres in all other cases; and

(3) not more than three (3) years after the property is purchased, and for each year after the three (3) year period, the owner demonstrates substantial progress towards the erection of the intended building and use of the tract for the exempt purpose. To establish that substantial progress is being made, the owner must prove the existence of factors such as the following:

(A) Organization of and activity by a building committee or other oversight group.

(B) Completion and filing of building plans with the appropriate local government authority.

(C) Cash reserves dedicated to the project of a sufficient amount to lead a reasonable individual to believe the actual construction can and will begin within three (3) years.

(D) The breaking of ground and the beginning of actual construction.

(E) Any other factor that would lead a reasonable individual to believe that construction of the building is an active plan and that the building is capable of being completed within six (6) years considering the circumstances of the owner.

(e) Personal property is exempt from property taxation if it is owned and used in such a manner that it would be exempt under subsection (a) or (b) if it were a building.

(f) A hospital's property ~~which~~ **that** is exempt from property taxation under subsection (a), (b), or (e) shall remain exempt from property taxation even if the property is used in part to furnish goods or services to another hospital whose property qualifies for exemption under this section.

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(g) Property owned by a shared hospital services organization ~~which~~ **that** is exempt from federal income taxation under Section 501(c)(3) or 501(e) of the Internal Revenue Code is exempt from property taxation if it is owned, occupied, and used exclusively to furnish goods or services to a hospital whose property is exempt from property taxation under subsection (a), (b), or (e).

(h) This section does not exempt from property tax an office or a practice of a physician or group of physicians that is owned by a hospital licensed under IC 16-21-1 or other property that is not substantially related to or supportive of the inpatient facility of the hospital unless the office, practice, or other property:

- (1) provides or supports the provision of charity care (as defined in IC 16-18-2-52.5), including providing funds or other financial support for health care services for individuals who are indigent (as defined in IC 16-18-2-52.5(b) and IC 16-18-2-52.5(c)); or
- (2) provides or supports the provision of community benefits (as defined in IC 16-21-9-1), including research, education, or government sponsored indigent health care (as defined in IC 16-21-9-2).

However, participation in the Medicaid or Medicare program alone does not entitle an office, practice, or other property described in this subsection to an exemption under this section.

(i) A tract of land or a tract of land plus all or part of a structure on the land is exempt from property taxation if:

- (1) the tract is acquired for the purpose of erecting, renovating, or improving a single family residential structure that is to be given away or sold:
 - (A) in a charitable manner;
 - (B) by a nonprofit organization; and
 - (C) to low income individuals who will:
 - (i) use the land as a family residence; and
 - (ii) not have an exemption for the land under this section;
- (2) the tract does not exceed three (3) acres;
- (3) the tract of land or the tract of land plus all or part of a structure on the land is not used for profit while exempt under this section; and
- (4) not more than three (3) years after the property is acquired for the purpose described in subdivision (1), and for each year after the three (3) year period, the owner demonstrates substantial progress towards the erection, renovation, or improvement of the intended structure. To establish that substantial progress is being made, the owner must prove the existence of factors such as the



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following:

(A) Organization of and activity by a building committee or other oversight group.

(B) Completion and filing of building plans with the appropriate local government authority.

(C) Cash reserves dedicated to the project of a sufficient amount to lead a reasonable individual to believe the actual construction can and will begin within six (6) years of the initial exemption received under this subsection.

(D) The breaking of ground and the beginning of actual construction.

(E) Any other factor that would lead a reasonable individual to believe that construction of the structure is an active plan and that the structure is capable of being:

(i) completed; and

(ii) transferred to a low income individual who does not receive an exemption under this section;

within six (6) years considering the circumstances of the owner.

(j) An exemption under subsection (i) terminates when the property is conveyed by the nonprofit organization to another owner. When the property is conveyed to another owner, the nonprofit organization receiving the exemption must file a certified statement with the auditor of the county, notifying the auditor of the change not later than sixty (60) days after the date of the conveyance. The county auditor shall immediately forward a copy of the certified statement to the county assessor. A nonprofit organization that fails to file the statement required by this subsection is liable for the amount of property taxes due on the property conveyed if it were not for the exemption allowed under this chapter.

(k) If property is granted an exemption in any year under subsection (i) and the owner:

(1) ceases to be eligible for the exemption under subsection (i)(4);

(2) fails to transfer the tangible property within six (6) years after the assessment date for which the exemption is initially granted;

or

(3) transfers the tangible property to a person who:

(A) is not a low income individual; or

(B) does not use the transferred property as a residence for at least one (1) year after the property is transferred;

the person receiving the exemption shall notify the county recorder and the county auditor of the county in which the property is located not

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later than sixty (60) days after the event described in subdivision (1), (2), or (3) occurs. The county auditor shall immediately inform the county assessor of a notification received under this subsection.

(l) If subsection (k)(1), (k)(2), or (k)(3) applies, the owner shall pay, not later than the date that the next installment of property taxes is due, an amount equal to the sum of the following:

(1) The total property taxes that, if it were not for the exemption under subsection (i), would have been levied on the property in each year in which an exemption was allowed.

(2) Interest on the property taxes at the rate of ten percent (10%) per year.

(m) The liability imposed by subsection (l) is a lien upon the property receiving the exemption under subsection (i). An amount collected under subsection (l) shall be collected as an excess levy. If the amount is not paid, it shall be collected in the same manner that delinquent taxes on real property are collected.

(n) Property referred to in this section shall be assessed to the extent required under IC 6-1.1-11-9.

SECTION 2. IC 6-1.1-10-21, AS AMENDED BY P.L.198-2001, SECTION 30, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 21. (a) The following tangible property is exempt from property taxation if it is owned by, or held in trust for the use of, a church or religious society:

(1) A building ~~which that~~ is used for religious worship.

~~(2) Buildings that are used as parsonages.~~

~~(3) (2)~~ The pews and furniture contained within a building ~~which that~~ is used for religious worship.

~~(4) (3)~~ The tract of land not exceeding ~~fifteen (15)~~ **fifty (50)** acres, upon which a building ~~described in this section that is used for religious worship~~ is situated.

(b) The following tangible property is exempt from property taxation if it is owned by, or held in trust for the use of, a church or religious society:

(1) A building that is used as a parsonage.

(2) The tract of land, not exceeding fifteen (15) acres, upon which a building that is used as a parsonage is situated.

~~(b) (c)~~ To obtain an exemption for parsonages, a church or religious society must provide the county auditor with an affidavit at the time the church or religious society applies for the exemptions. The affidavit must state that:

(1) all parsonages are being used to house one (1) of the church's or religious society's rabbis, priests, preachers, ministers, or



pastors; and

(2) none of the parsonages are being used to make a profit.

The affidavit shall be signed under oath by the church's or religious society's head rabbi, priest, preacher, minister, or pastor. The county auditor shall immediately forward a copy of the affidavit to the county assessor.

~~(c)~~ (d) Property referred to in this section shall be assessed to the extent required under IC 6-1.1-11-9.

SECTION 3. IC 6-1.1-10-25 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 25. ~~(a)~~ Subject to the limitations contained in ~~subsection (b) of this section~~, **section 36.3 of this chapter**, tangible property is exempt from property taxation if it is owned by **and used for the exempt purposes of** any of the following organizations:

- (1) The Young Men's Christian Association.
- (2) The Salvation Army, Inc.
- (3) The Knights of Columbus.
- (4) The Young Men's Hebrew Association.
- (5) The Young Women's Christian Association.
- (6) A chapter or post of Disabled American Veterans of World War I or II.
- (7) A chapter or post of the Veterans of Foreign Wars.
- (8) A post of the American Legion.
- (9) A post of the American War Veterans.
- (10) A camp of United States Spanish War Veterans.
- (11) The Boy Scouts of America, one (1) or more of its incorporated local councils, or a bank or trust company in trust for the benefit of one (1) or more of its local councils.
- (12) The Girl Scouts of the U.S.A., one (1) or more of its incorporated local councils, or a bank or trust company in trust for the benefit of one (1) or more of its local councils.

~~(b) This exemption does not apply unless the property is exclusively used; and in the case of real property actually occupied; for the purposes and objectives of the organization.~~

SECTION 4. IC 6-1.1-10-36.3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 36.3. (a) For purposes of this section, property is predominantly used or occupied for one (1) or more stated purposes if it is used or occupied for one (1) or more of those purposes during:

(1) **less than one hundred percent (100%); but**

(2) **more than fifty percent (50%);**

of the time that it is used or occupied in the year that ends on the

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assessment date of the property.

(b) If a section of this chapter **or another statute** states one (1) or more purposes for which property must be **owned, held in trust**, used, or occupied in order to qualify for an exemption ~~then from property tax under IC 6-1.1 or one (1) or more purposes for which a taxpayer must exist, be organized, or be operated in order for the taxpayer's property to be exempt from property tax under IC 6-1.1~~, the exemption applies as follows:

(1) **One hundred percent (100%) of the assessed value of property that is exclusively used or occupied for one (1) or more of the stated purposes is ~~totally exempt under that section: from property tax.~~**

(2) ~~Property that is predominantly used, or occupied for one (1) or more of the stated purposes by a church religious society or not-for-profit school is totally exempt under that section.~~

~~(3) (2) If property is used for a purpose that is not exempt from property tax under this chapter or another law but is predominantly used or occupied for one (1) or more of the stated purposes, by a person other than a church religious society or not-for-profit school only part of the assessed value of the property is exempt under that section from property tax. on the part of the assessment of the property that bears the same proportion to the total assessment of the property as Subject to subsection (d), the amount of the deduction is equal to the assessed value of the property multiplied by a fraction. The numerator of the fraction is the amount of time that the property was used or occupied for one (1) or more of the stated purposes during the year that ends on the assessment date of the property. bears to The denominator of the fraction is the amount of time that the property was used or occupied for any purpose during that year.~~

~~(4) (3) None of the assessed value of property that is predominantly used or occupied for a purpose other than one (1) of the stated purposes is not exempt from any part of the property tax.~~

(c) ~~Property is not used or occupied for one (1) or more of the stated purposes during the time that a predominant part of the~~ **For purposes of subsection (b), property is not being used or occupied for a stated exempt purpose if it is** used or occupied in connection with a trade or business that is not ~~substantially~~ **directly** related to the exercise or performance of one (1) or more of the stated purposes.

(d) For purposes of subsection (b)(2), if only part of a building

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or structure is used for an exempt purpose or a nonexempt purpose, the deduction for the building or structure shall be adjusted to reflect the area in the building devoted to the exempt and nonexempt purposes under the procedures prescribed by the department of local government finance.

SECTION 5. IC 6-1.1-11-3, AS AMENDED BY P.L.198-2001, SECTION 32, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) An owner of tangible property who wishes to obtain an exemption from property taxation shall file a certified application in duplicate with the auditor of the county in which the property that is the subject of the exemption is located. The application must be filed annually on or before May 15 on forms prescribed by the department of local government finance. The county auditor shall immediately forward a copy of the certified application to the county assessor. Except as provided in sections 1, 3.5, and 4 of this chapter, the application applies only for the taxes imposed for the year for which the application is filed.

(b) The authority for signing an exemption application may not be delegated by the owner of the property to any other person except by an executed power of attorney.

(c) An exemption application which is required under this chapter shall contain the following information:

- (1) A description of the property claimed to be exempt in sufficient detail to afford identification.
- (2) A statement showing the ownership, possession, and use of the property.
- (3) The grounds for claiming the exemption.
- (4) **The percentage of the exemption to which the person is entitled under IC 6-1.1-10-36.3.**
- (5) The full name and address of the applicant.
- ~~(5)~~ (6) Any additional information which the department of local government finance may require.

(d) A person who signs an exemption application shall attest in writing and under penalties of perjury that, to the best of the person's knowledge and belief, a predominant part of the property claimed to be exempt is not being used or occupied in connection with a trade or business that is not ~~substantially~~ **directly** related to the exercise or performance of the organization's exempt purpose.

SECTION 6. IC 6-2.1-3-23 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 23. The exemptions provided by sections 19, 20, 21, and 22 of this chapter do not apply to gross income received by a taxpayer that:



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(1) is derived from ~~an unrelated~~ a trade or business as defined in ~~Section 513 of the Internal Revenue Code~~; that is not directly related to the purposes for which the taxpayer is exempt under section 19, 20, 21, or 22 of this chapter; and
 (2) does not qualify as receipts from a charitable contribution (as defined in Section 170 of the Internal Revenue Code).

SECTION 7. IC 6-2.5-5-25 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 25. (a) Transactions involving tangible personal property or service are exempt from the state gross retail tax, if the person acquiring the property or service:

- (1) is an organization which is granted a gross income tax exemption under IC 6-2.1-3-20, IC 6-2.1-3-21, or IC 6-2.1-3-22;
- (2) ~~primarily~~ **directly** uses the property or service to carry on or to ~~raise money~~ **obtain charitable contributions (as defined in Section 170 of the Internal Revenue Code)** to carry on the not-for-profit purpose for which it receives the gross income tax exemption; and
- (3) is not an organization operated predominantly for social purposes.

(b) Transactions occurring after December 31, 1976, and involving tangible personal property or service are exempt from the state gross retail tax, if the person acquiring the property or service:

- (1) is a fraternity, sorority, or student cooperative housing organization which is granted a gross income tax exemption under IC 6-2.1-3-19; and
- (2) uses the property or service to carry on its ordinary and usual activities and operations as a fraternity, sorority, or student cooperative housing organization.

SECTION 8. IC 6-3-1-3.5, AS AMENDED BY P.L.14-2000, SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3.5. When used in IC 6-3, the term "adjusted gross income" shall mean the following:

(a) In the case of all individuals, "adjusted gross income" (as defined in Section 62 of the Internal Revenue Code), modified as follows:

- (1) Subtract income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States.
- (2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 62 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.



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(3) Subtract one thousand dollars (\$1,000), or in the case of a joint return filed by a husband and wife, subtract for each spouse one thousand dollars (\$1,000).

(4) Subtract one thousand dollars (\$1,000) for:

(A) each of the exemptions provided by Section 151(c) of the Internal Revenue Code;

(B) each additional amount allowable under Section 63(f) of the Internal Revenue Code; and

(C) the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(5) Subtract:

(A) one thousand five hundred dollars (\$1,500) for each of the exemptions allowed under Section 151(c)(1)(B) of the Internal Revenue Code for taxable years beginning after December 31, 1996; and

(B) five hundred dollars (\$500) for each additional amount allowable under Section 63(f)(1) of the Internal Revenue Code if the adjusted gross income of the taxpayer, or the taxpayer and the taxpayer's spouse in the case of a joint return, is less than forty thousand dollars (\$40,000).

This amount is in addition to the amount subtracted under subdivision (4).

(6) Subtract an amount equal to the lesser of:

(A) that part of the individual's adjusted gross income (as defined in Section 62 of the Internal Revenue Code) for that taxable year that is subject to a tax that is imposed by a political subdivision of another state and that is imposed on or measured by income; or

(B) two thousand dollars (\$2,000).

(7) Add an amount equal to the total capital gain portion of a lump sum distribution (as defined in Section 402(e)(4)(D) of the Internal Revenue Code) if the lump sum distribution is received by the individual during the taxable year and if the capital gain portion of the distribution is taxed in the manner provided in Section 402 of the Internal Revenue Code.

(8) Subtract any amounts included in federal adjusted gross income under Internal Revenue Code Section 111 as a recovery of items previously deducted as an itemized deduction from adjusted gross income.

(9) Subtract any amounts included in federal adjusted gross

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income under the Internal Revenue Code which amounts were received by the individual as supplemental railroad retirement annuities under 45 U.S.C. 231 and which are not deductible under subdivision (1).

(10) Add an amount equal to the deduction allowed under Section 221 of the Internal Revenue Code for married couples filing joint returns if the taxable year began before January 1, 1987.

(11) Add an amount equal to the interest excluded from federal gross income by the individual for the taxable year under Section 128 of the Internal Revenue Code if the taxable year began before January 1, 1985.

(12) Subtract an amount equal to the amount of federal Social Security and Railroad Retirement benefits included in a taxpayer's federal gross income by Section 86 of the Internal Revenue Code.

(13) In the case of a nonresident taxpayer or a resident taxpayer residing in Indiana for a period of less than the taxpayer's entire taxable year, the total amount of the deductions allowed pursuant to subdivisions (3), (4), (5), and (6) shall be reduced to an amount which bears the same ratio to the total as the taxpayer's income taxable in Indiana bears to the taxpayer's total income.

(14) In the case of an individual who is a recipient of assistance under IC 12-10-6-1, IC 12-10-6-2, IC 12-15-2-2, or IC 12-15-7, subtract an amount equal to that portion of the individual's adjusted gross income with respect to which the individual is not allowed under federal law to retain an amount to pay state and local income taxes.

(15) In the case of an eligible individual, subtract the amount of a Holocaust victim's settlement payment included in the individual's federal adjusted gross income.

(16) For taxable years beginning after December 31, 1999, subtract an amount equal to the portion of any premiums paid during the taxable year by the taxpayer for a qualified long term care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the taxpayer's spouse, or both.

(17) Subtract an amount equal to the lesser of:

(A) two thousand five hundred dollars (\$2,500); or

(B) the amount of property taxes that are paid during the taxable year in Indiana by the individual on the individual's principal place of residence.

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

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(1) Subtract income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 170 of the Internal Revenue Code.

(3) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(4) Subtract an amount equal to the amount included in the corporation's taxable income under Section 78 of the Internal Revenue Code.

(5) Add an amount equal to the net amount excluded from taxable income under Section 501(a) of the Internal Revenue Code from a trade or business that is not directly related to the purposes for which the corporation is exempt from federal income taxation, after subtracting:

(A) any deductions from gross income that would be available under the Internal Revenue Code if the income was not exempt from taxation under Section 501(a) of the Internal Revenue Code; and

(B) income resulting from investment of contributions for which a deduction is allowable under Section 170 of the Internal Revenue Code or the earnings on these contributions in marketable securities, savings accounts, or other cash equivalents if the money is restricted for direct use for an exempt purpose.

(c) In the case of trusts and estates, "taxable income" (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code):

(1) reduced by income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States; and

(2) increased by an amount equal to the net amount excluded from taxable income under Section 501(a) of the Internal Revenue Code from a trade or business that is not directly related to the purposes for which the corporation is exempt from federal income taxation, after subtracting:

(A) any deductions from gross income that would be available under the Internal Revenue Code if the income was not exempt from taxation under Section 501(a) of the Internal Revenue Code; and

(B) income resulting from investment of contributions for which a deduction is allowable under Section 170 of the

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Internal Revenue Code or the earnings on these contributions in marketable securities, savings accounts, or other cash equivalents if the money is restricted for direct use for an exempt purpose.

SECTION 9. IC 6-3-2-2.8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2.8. Notwithstanding any provision of IC 6-3-1 through IC 6-3-7, there shall be no tax on the adjusted gross income of the following:

(1) Any organization described in Section 501(a) of the Internal Revenue Code, except: ~~that any~~

(A) income of such organization which is subject to income tax under the Internal Revenue Code; and

(B) the net amount excluded from taxable income under Section 501(a) of the Internal Revenue Code from a trade or business that is not directly related to the purposes for which the corporation is exempt from federal income taxation, after subtracting:

(i) any deductions from gross income that would be available under the Internal Revenue Code if the income was not exempt from taxation under Section 501(a) of the Internal Revenue Code; and

(ii) income resulting from investment of contributions for which a deduction is allowable under Section 170 of the Internal Revenue Code or the earnings on these contributions in marketable securities, savings accounts, or other cash equivalents if the money is restricted for direct use for an exempt purpose;

shall be subject to the tax under IC 6-3-1 through IC 6-3-7.

(2) Any corporation which is exempt from income tax under Section 1363 of the Internal Revenue Code and which complies with the requirements of IC 6-3-4-13. However, income of a corporation described under this subdivision that is subject to income tax under the Internal Revenue Code is subject to the tax under IC 6-3-1 through IC 6-3-7. A corporation will not lose its exemption under this section because it fails to comply with IC 6-3-4-13 but it will be subject to the penalties provided by IC 6-8.1-10.

(3) Banks and trust companies, national banking associations, savings banks, building and loan associations, and savings and loan associations.

(4) Insurance companies subject to tax under IC 27-1-18-2.

(5) International banking facilities (as defined in Regulation D of

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the Board of Governors of the Federal Reserve System (12 CFR 204)).

SECTION 10. IC 6-3-2-3.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3.1. ~~(a) Except as otherwise provided in subsection (b); Income is not of the following entities is~~ exempt from the adjusted gross income tax ~~or (IC 6-3-1 through IC 6-3-7) and the supplemental net income tax under section 2-8(1) of this chapter if the income is derived by the exempt organization from an unrelated trade or business, as defined in Section 513 of the Internal Revenue Code.~~

~~(b) This section does not apply to: (IC 6-3-8):~~

- ~~(1) The United States government.~~
- ~~(2) An agency or instrumentality of the United States government.~~
- ~~(3) This state.~~
- ~~(4) A state agency, as defined in IC 34-6-2-141.~~
- ~~(5) A political subdivision, as defined in IC 34-6-2-110. or~~
- ~~(6) A county solid waste management district or a joint solid waste management district established under IC 13-21 or IC 13-9.5-2 (before its repeal).~~

SECTION 11. IC 14-33-7-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 4. (a) This section applies to the following tangible property owned by or held in trust for the use of a church or religious society:

- (1) A building that is used for religious worship.
- (2) A building that is used as a parsonage.
- (3) The pews and furniture contained within a building that is used for religious worship.
- (4) The land not exceeding fifty (50) acres, upon which a building that is used for religious worship is situated.**
- (5) The land not exceeding fifteen (15) acres, upon which a building described in this section that is used as a parsonage is situated.**

(b) Property is exempt from the special benefits tax that may be imposed under:

- (1) IC 14-33-6-13 and section 1 of this chapter; or
- (2) IC 14-33-21-5;

to the extent that the special benefits tax revenue will be used for the construction or improvement of a water impoundment project, including a lake, pond, or dam.

(c) To obtain an exemption for a parsonage, a church or religious society must provide the county auditor with an affidavit at the time the church or religious society applies for the exemption. The affidavit



1 must:

2 (1) state:

3 (A) that all parsonages are being used to house one (1) of the
4 church's or religious society's rabbis, priests, preachers,
5 ministers, or pastors; and

6 (B) that none of the parsonages are being used to make a
7 profit; and

8 (2) be signed under oath or affirmation by the church's or
9 religious society's head rabbi, priest, preacher, minister, pastor, or
10 designee of the official church body.

11 SECTION 12. IC 6-1.1-10-36.5 IS REPEALED [EFFECTIVE
12 JANUARY 1, 2003].

13 SECTION 13. [EFFECTIVE UPON PASSAGE] (a)
14 IC 6-1.1-10-36.3 and IC 6-1.1-11-3, both as amended by this act,
15 and the repeal of IC 6-1.1-10-36.5 by this act, apply only to
16 property taxes first due and payable after December 31, 2002. The
17 department of local government finance shall prescribe and make
18 available forms to comply with IC 6-1.1-11-3, as amended by this
19 act, as soon as practicable after the effective date of this SECTION.
20 Notwithstanding IC 6-1.1-11-3, as amended by this act:

21 (1) a taxpayer that:

22 (A) qualifies for a one hundred percent (100%) property
23 tax exemption under IC 6-1.1-10-36.3(b)(1) as amended by
24 this act; and

25 (B) is exempt under IC 6-1.1-11-3.5 or IC 6-1.1-11-4 from
26 filing a certified property tax exemption application in
27 calendar year 2002;

28 is not required by the amendment to IC 6-1.1-11-3 by this act
29 to file an exemption application until required by
30 IC 6-1.1-11-3.5 or IC 6-1.1-11-4; and

31 (2) a taxpayer whose property tax exemption is changed by
32 the amendment to IC 6-1.1-10-36.3 by this act, or the repeal
33 of IC 6-1.1-10-36.5 has until September 1, 2002, to file a
34 certified application under IC 6-1.1-11-3, as amended by this
35 act, that correctly states the amount of the exemption.

36 (b) IC 6-2.1-3-23, IC 6-2.5-5-25, IC 6-3-1-3.5, IC 6-3-2-2.8,
37 IC 6-3-2-3.1, and IC 6-5.5-2-7, all as amended by this act, apply
38 only to taxable years beginning after December 31, 2003.

39 (c) The department of local government finance may adopt
40 temporary rules in the manner provided for the adoption of
41 emergency rules under IC 4-22-2-37.1 to implement
42 IC 6-1.1-10-36.3 and IC 6-1.1-11-3, both as amended by this act,



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1 and the repeal of IC 6-1.1-10-36.5 by this act. A temporary rule
 2 adopted under this subsection expires on the earliest of the
 3 following:

4 (1) The date that another temporary rule adopted under this
 5 subsection supersedes the prior temporary rule.

6 (2) The date that permanent rules adopted under IC 4-22-2
 7 supersede the temporary rule.

8 (3) July 1, 2004.

9 (d) The department of state revenue may adopt temporary rules
 10 in the manner provided for the adoption of emergency rules under
 11 IC 4-22-2-37.1 to implement IC 6-2.1-3-23, IC 6-3-1-3.5,
 12 IC 6-3-2-2.8, IC 6-3-2-3.1, and IC 6-5.5-2-7, all as amended by this
 13 act. A temporary rule adopted under this subsection expires on the
 14 earliest of the following:

15 (1) The date that another temporary rule adopted under this
 16 subsection supersedes the prior temporary rule.

17 (2) The date that permanent rules adopted under IC 4-22-2
 18 supersede the temporary rule.

19 (3) July 1, 2004.

20 SECTION 14. [EFFECTIVE UPON PASSAGE] (a)
 21 Notwithstanding IC 6-1.1-10-16 as it existed before January 1,
 22 2002, a church or religious institution may file a claim with the
 23 county auditor for a refund for the payment of property taxes due
 24 and payable in 2001. The claim shall be filed as set forth in
 25 IC 6-1.1-26-1, except that the claim shall be based upon the ground
 26 that the assessment of the property must be computed as set forth
 27 in IC 6-1.1-10-16, as amended by this act, instead of as set forth in
 28 IC 6-1.1-10-16 as it existed at the time of the assessment of the
 29 church or religious institution's property.

30 (b) Upon receiving a claim filed under this SECTION, the
 31 county auditor shall determine whether the claim is correct. If the
 32 county auditor determines that the claim is correct, the auditor
 33 shall, without an appropriation being required, issue a warrant to
 34 the claimant payable from the county general fund for the amount
 35 due the claimant under this SECTION.

36 (c) The amount of the refund shall equal the amount of the claim
 37 so allowed, plus interest at six percent (6%) from the date on which
 38 the taxes were paid or payable, whichever is later, to the date of the
 39 refund.

40 (d) This SECTION expires July 1, 2003.

41 SECTION 15. [EFFECTIVE UPON PASSAGE] (a) As used in this
 42 SECTION, "committee" refers to the interim study committee on



1 the assessment of property owned by educational, religious, and
2 other nonprofit organizations.

3 (b) There is established the interim study committee on the
4 assessment of property owned by educational, religious, and other
5 nonprofit organizations. The committee shall study:

6 (1) the assessment of property owned by educational,
7 religious, and other nonprofit organizations; and

8 (2) the property tax exemptions provided to the organizations
9 described in subdivision (1).

10 (c) The committee shall operate under the policies governing
11 study committees adopted by the legislative council.

12 (d) The affirmative vote of a majority of the voting members
13 appointed to the committee are required for the committee to take
14 action on any measure, including final reports.

15 (e) Notwithstanding any other provision of this SECTION, the
16 legislative council may assign the study required under this
17 SECTION to any other interim study committee.

18 (f) This SECTION expires November 1, 2002.

19 SECTION 16. An emergency is declared for this act.

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SENATE MOTION

Mr. President: I move that Senators Craycraft, Adams K and Alting be added as coauthors of Senate Bill 19.

ZAKAS

SENATE MOTION

Mr. President: I move that Senator Simpson be added as coauthor of Senate Bill 19.

ZAKAS

SENATE MOTION

Mr. President: I move that Senator Jackman be added as coauthor of Senate Bill 19.

ZAKAS

SENATE MOTION

Mr. President: I move that Senators Hershman, Miller and Broden be added as coauthors of Senate Bill 19.

ZAKAS

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COMMITTEE REPORT

Mr. President: The Senate Committee on Governmental and Regulatory Affairs, to which was referred Senate Bill No. 19, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Replace the effective dates in SECTIONS 1 through 2 with "[EFFECTIVE MARCH 1, 2000 (RETROACTIVE)]".

Page 5, strike line 27.

Page 5, line 28, strike "(3)" and insert **"(2)"**.

Page 5, line 30, strike "(4)" and insert **"(3)"**.

Page 5, line 31, strike "described in this section" and insert **"used for religious worship"**.

Page 5, between lines 32 and 33, begin a new paragraph and insert the following:

"(b) The following tangible property is exempt from property taxation if it is owned by, or held in trust for the use of, a church or religious society:

(1) Buildings that are used as parsonages.

(2) The tract of land, not exceeding fifteen (15) acres, upon which a building described in subdivision (1) is situated."

Page 5, line 33, strike "(b)" and insert **"(c)"**.

Page 6, line 3, strike "(c)" and insert **"(d)"**.

Page 6, after line 4, begin a new paragraph and insert:

"SECTION 3. [EFFECTIVE UPON PASSAGE] (a) Pursuant to IC 6-1.1-10-16, as amended by this act, a church or religious institution may file a claim with the county auditor for a refund for the payment of property taxes due and payable in 2001. The claim shall be filed as set forth in IC 6-1.1-26-1, except that the claim shall be based upon the ground that the assessment of the property must be computed as set forth in IC 6-1.1-10-16, as amended by this act.

(b) Upon receiving a claim filed under this SECTION, the county auditor shall determine whether the claim is correct. If the county auditor determines that the claim is correct, the auditor shall, without an appropriation being required, issue a warrant to the claimant payable from the county general fund for the amount due the claimant under this SECTION.

(c) The amount of the refund shall equal the amount of the claim so allowed, plus interest at six percent (6%) from the date on which the taxes were paid or payable, whichever is later, to the date of the refund.



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(d) This SECTION expires July 1, 2003.

SECTION 4. An emergency is declared for this act."

and when so amended that said bill do pass.

(Reference is to SB 19 as introduced.)

MERRITT, Chairperson

Committee Vote: Yeas 8, Nays 1.

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SENATE MOTION

Mr. President: I move that Senator Long be added as coauthor of Senate Bill 19.

ZAKAS

SENATE MOTION

Mr. President: I move that Senators Paul and Weatherwax be added as coauthors of Senate Bill 19.

ZAKAS

SENATE MOTION

Mr. President: I move that Senate Bill 19 be amended to read as follows:

- Page 1, line 11, delete ":".
- Page 1, line 12, strike "(1)".
- Page 1, line 13, delete ";" and insert ".".
- Page 1, line 13, strike "and".
- Page 1, strike lines 14 through 16.
- Page 1, line 17, strike "(ii)".
- Page 1, line 17, delete "a church or religious institution; or".
- Page 2, line 1, delete "(iii)".
- Page 2, line 1, strike "a tract that was exempt under this subsection on March".
- Page 2, line 2, strike "1, 1987;".
- Page 2, strike lines 3 through 5.
- Page 2, line 9, after ";" insert "**and**".
- Page 2, strike lines 10 through 11.
- Page 2, line 12, strike "(i) an educational institution;".
- Page 2, line 13, strike "(ii)".
- Page 2, line 13, delete "a church or religious institution; or".
- Page 2, line 14, delete "(iii)".
- Page 2, line 14, strike "a tract that was exempt under this subsection on March".
- Page 2, strike lines 15 through 18.
- Page 2, line 19, before "not" strike "(3)" and insert "**(2)**".

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Page 5, line 27, strike "which" and insert "**that**".

Page 5, line 31, delete ",".

Page 5, line 31, strike "not exceeding".

Page 5, line 31, delete "one hundred".

Page 5, line 32, delete "fifty (150)".

Page 5, line 32, strike "acres,".

Page 5, line 32, after "section" insert "**that is**".

Page 5, line 37, delete "Buildings that are used as parsonages." and insert "**A building that is used as a parsonage.**".

Page 5, line 39, delete "described in subdivision (1)" and insert "**that is used as a parsonage**".

Page 6, between lines 11 and 12, begin a new paragraph and insert:

"SECTION 3. IC 14-33-7-4 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2002]: Sec. 4. (a) This section applies to the following tangible property owned by or held in trust for the use of a church or religious society:

(1) A building that is used for religious worship.

(2) A building that is used as a parsonage.

(3) The pews and furniture contained within a building that is used for religious worship.

(4) **The land upon which a building that is used for religious worship is situated.**

(5) The land not exceeding fifteen (15) acres, upon which a building ~~described in this section~~ **that is used as a parsonage** is situated.

(b) Property is exempt from the special benefits tax that may be imposed under:

(1) IC 14-33-6-13 and section 1 of this chapter; or

(2) IC 14-33-21-5;

to the extent that the special benefits tax revenue will be used for the construction or improvement of a water impoundment project, including a lake, pond, or dam.

(c) To obtain an exemption for a parsonage, a church or religious society must provide the county auditor with an affidavit at the time the church or religious society applies for the exemption. The affidavit must:

(1) state:

(A) that all parsonages are being used to house one (1) of the church's or religious society's rabbis, priests, preachers, ministers, or pastors; and

(B) that none of the parsonages are being used to make a profit; and



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(2) be signed under oath or affirmation by the church's or religious society's head rabbi, priest, preacher, minister, pastor, or designee of the official church body.".

Renumber all SECTIONS consecutively.

(Reference is to SB 19 as printed February 1, 2002.)

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred Senate Bill 19, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Replace the effective dates in SECTIONS 1 through 2 with "[EFFECTIVE JULY 1, 2002]".

Page 1, line 12, reset in roman "(1)".

Page 1, line 13, delete "." and insert ";".

Page 1, line 13, reset in roman "and".

Page 1, reset in roman line 14.

Page 1, line 14, after "exceed" delete ":" and insert "**fifty (50) acres.**".

Page 2, line 8, delete "and".

Page 2, reset in roman line 9.

Page 2, line 9, after "exceed" delete ":" and insert "**fifty (50) acres; and**".

Page 2, line 17, reset in roman "(3)".

Page 2, line 17, delete "(2)".

Page 5, line 29, reset in roman "not exceeding".

Page 5, line 29, after "(15)" insert "**fifty (50)**".

Page 5, line 29, reset in roman "acres,"

Page 6, between lines 9 and 10, begin a new paragraph and insert: "SECTION 3. IC 6-1.1-10-25 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 25. ~~(a)~~ Subject to the limitations contained in ~~subsection (b) of this section~~, **section 36.3 of this chapter**, tangible property is exempt from property taxation if it is owned by **and used for the exempt purposes of** any of the following organizations:

- (1) The Young Men's Christian Association.
- (2) The Salvation Army, Inc.
- (3) The Knights of Columbus.
- (4) The Young Men's Hebrew Association.
- (5) The Young Women's Christian Association.
- (6) A chapter or post of Disabled American Veterans of World War I or II.
- (7) A chapter or post of the Veterans of Foreign Wars.
- (8) A post of the American Legion.
- (9) A post of the American War Veterans.
- (10) A camp of United States Spanish War Veterans.
- (11) The Boy Scouts of America, one (1) or more of its incorporated local councils, or a bank or trust company in trust for

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the benefit of one (1) or more of its local councils.

(12) The Girl Scouts of the U.S.A., one (1) or more of its incorporated local councils, or a bank or trust company in trust for the benefit of one (1) or more of its local councils.

~~(b) This exemption does not apply unless the property is exclusively used; and in the case of real property actually occupied; for the purposes and objectives of the organization.~~

SECTION 4. IC 6-1.1-10-36.3 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 36.3. (a) For purposes of this section, property is predominantly used or occupied for one (1) or more stated purposes if it is used or occupied for one (1) or more of those purposes during:

(1) less than one hundred percent (100%); but

(2) more than fifty percent (50%);

of the time that it is used or occupied in the year that ends on the assessment date of the property.

(b) If a section of this chapter **or another statute** states one (1) or more purposes for which property must be **owned, held in trust**, used, or occupied in order to qualify for an exemption ~~then from property tax under IC 6-1.1 or one (1) or more purposes for which a taxpayer must exist, be organized, or be operated in order for the taxpayer's property to be exempt from property tax under IC 6-1.1~~, the exemption applies as follows:

(1) One hundred percent (100%) of the assessed value of property that is exclusively used or occupied for one (1) or more of the stated purposes is totally exempt under that section: from property tax.

~~(2) Property that is predominantly used; or occupied for one (1) or more of the stated purposes by a church religious society or not-for-profit school is totally exempt under that section.~~

(3) (2) If property is used for a purpose that is not exempt from property tax under this chapter or another law but is predominantly used or occupied for one (1) or more of the stated purposes, by a person other than a church religious society or not-for-profit school only part of the assessed value of the property is exempt under that section from property tax. on the part of the assessment of the property that bears the same proportion to the total assessment of the property as Subject to subsection (d), the amount of the deduction is equal to the assessed value of the property multiplied by a fraction. The numerator of the fraction is the amount of time that the property was used or occupied for one (1) or more of the stated purposes

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during the year that ends on the assessment date of the property. ~~bears to~~ **The denominator of the fraction** is the amount of time that the property was used or occupied for any purpose during that year.

~~(4)~~ **(3) None of the assessed value of** property that is predominantly used or occupied for a purpose other than one (1) of the stated purposes is ~~not~~ exempt from any part of the property tax.

~~(c) Property is not used or occupied for one (1) or more of the stated purposes during the time that a predominant part of the~~ **For purposes of subsection (b), property is not being used or occupied for a stated exempt purpose if it is** used or occupied in connection with a trade or business that is not ~~substantially~~ **directly** related to the exercise or performance of one (1) or more of the stated purposes.

(d) For purposes of subsection (b)(2), if only part of a building or structure is used for an exempt purpose or a nonexempt purpose, the deduction for the building or structure shall be adjusted to reflect the area in the building devoted to the exempt and nonexempt purposes under the procedures prescribed by the department of local government finance.

SECTION 5. IC 6-1.1-11-3, AS AMENDED BY P.L.198-2001, SECTION 32, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE UPON PASSAGE]: Sec. 3. (a) An owner of tangible property who wishes to obtain an exemption from property taxation shall file a certified application in duplicate with the auditor of the county in which the property that is the subject of the exemption is located. The application must be filed annually on or before May 15 on forms prescribed by the department of local government finance. The county auditor shall immediately forward a copy of the certified application to the county assessor. Except as provided in sections 1, 3.5, and 4 of this chapter, the application applies only for the taxes imposed for the year for which the application is filed.

(b) The authority for signing an exemption application may not be delegated by the owner of the property to any other person except by an executed power of attorney.

(c) An exemption application which is required under this chapter shall contain the following information:

- (1) A description of the property claimed to be exempt in sufficient detail to afford identification.
- (2) A statement showing the ownership, possession, and use of the property.
- (3) The grounds for claiming the exemption.



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(4) **The percentage of the exemption to which the person is entitled under IC 6-1.1-10-36.3.**

(5) The full name and address of the applicant.

~~(5)~~ (6) Any additional information which the department of local government finance may require.

(d) A person who signs an exemption application shall attest in writing and under penalties of perjury that, to the best of the person's knowledge and belief, a predominant part of the property claimed to be exempt is not being used or occupied in connection with a trade or business that is not ~~substantially~~ **directly** related to the exercise or performance of the organization's exempt purpose.

SECTION 6. IC 6-2.1-3-23 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 23. The exemptions provided by sections 19, 20, 21, and 22 of this chapter do not apply to gross income received by a taxpayer that:

(1) is derived from ~~an unrelated~~ a trade or business ~~as defined in Section 513 of the Internal Revenue Code~~; **that is not directly related to the purposes for which the taxpayer is exempt under section 19, 20, 21, or 22 of this chapter; and**

(2) **does not qualify as receipts from a charitable contribution (as defined in Section 170 of the Internal Revenue Code).**

SECTION 7. IC 6-2.5-5-25 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 25. (a) Transactions involving tangible personal property or service are exempt from the state gross retail tax, if the person acquiring the property or service:

(1) is an organization which is granted a gross income tax exemption under IC 6-2.1-3-20, IC 6-2.1-3-21, or IC 6-2.1-3-22;

(2) ~~primarily~~ **directly** uses the property or service to carry on or to ~~raise money~~ **obtain charitable contributions (as defined in Section 170 of the Internal Revenue Code)** to carry on the not-for-profit purpose for which it receives the gross income tax exemption; and

(3) is not an organization operated predominantly for social purposes.

(b) Transactions occurring after December 31, 1976, and involving tangible personal property or service are exempt from the state gross retail tax, if the person acquiring the property or service:

(1) is a fraternity, sorority, or student cooperative housing organization which is granted a gross income tax exemption under IC 6-2.1-3-19; and

(2) uses the property or service to carry on its ordinary and usual

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activities and operations as a fraternity, sorority, or student cooperative housing organization.

SECTION 8. IC 6-3-1-3.5, AS AMENDED BY P.L.14-2000, SECTION 16, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3.5. When used in IC 6-3, the term "adjusted gross income" shall mean the following:

(a) In the case of all individuals, "adjusted gross income" (as defined in Section 62 of the Internal Revenue Code), modified as follows:

(1) Subtract income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 62 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(3) Subtract one thousand dollars (\$1,000), or in the case of a joint return filed by a husband and wife, subtract for each spouse one thousand dollars (\$1,000).

(4) Subtract one thousand dollars (\$1,000) for:

(A) each of the exemptions provided by Section 151(c) of the Internal Revenue Code;

(B) each additional amount allowable under Section 63(f) of the Internal Revenue Code; and

(C) the spouse of the taxpayer if a separate return is made by the taxpayer and if the spouse, for the calendar year in which the taxable year of the taxpayer begins, has no gross income and is not the dependent of another taxpayer.

(5) Subtract:

(A) one thousand five hundred dollars (\$1,500) for each of the exemptions allowed under Section 151(c)(1)(B) of the Internal Revenue Code for taxable years beginning after December 31, 1996; and

(B) five hundred dollars (\$500) for each additional amount allowable under Section 63(f)(1) of the Internal Revenue Code if the adjusted gross income of the taxpayer, or the taxpayer and the taxpayer's spouse in the case of a joint return, is less than forty thousand dollars (\$40,000).

This amount is in addition to the amount subtracted under subdivision (4).

(6) Subtract an amount equal to the lesser of:

(A) that part of the individual's adjusted gross income (as defined in Section 62 of the Internal Revenue Code) for that

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taxable year that is subject to a tax that is imposed by a political subdivision of another state and that is imposed on or measured by income; or

(B) two thousand dollars (\$2,000).

(7) Add an amount equal to the total capital gain portion of a lump sum distribution (as defined in Section 402(e)(4)(D) of the Internal Revenue Code) if the lump sum distribution is received by the individual during the taxable year and if the capital gain portion of the distribution is taxed in the manner provided in Section 402 of the Internal Revenue Code.

(8) Subtract any amounts included in federal adjusted gross income under Internal Revenue Code Section 111 as a recovery of items previously deducted as an itemized deduction from adjusted gross income.

(9) Subtract any amounts included in federal adjusted gross income under the Internal Revenue Code which amounts were received by the individual as supplemental railroad retirement annuities under 45 U.S.C. 231 and which are not deductible under subdivision (1).

(10) Add an amount equal to the deduction allowed under Section 221 of the Internal Revenue Code for married couples filing joint returns if the taxable year began before January 1, 1987.

(11) Add an amount equal to the interest excluded from federal gross income by the individual for the taxable year under Section 128 of the Internal Revenue Code if the taxable year began before January 1, 1985.

(12) Subtract an amount equal to the amount of federal Social Security and Railroad Retirement benefits included in a taxpayer's federal gross income by Section 86 of the Internal Revenue Code.

(13) In the case of a nonresident taxpayer or a resident taxpayer residing in Indiana for a period of less than the taxpayer's entire taxable year, the total amount of the deductions allowed pursuant to subdivisions (3), (4), (5), and (6) shall be reduced to an amount which bears the same ratio to the total as the taxpayer's income taxable in Indiana bears to the taxpayer's total income.

(14) In the case of an individual who is a recipient of assistance under IC 12-10-6-1, IC 12-10-6-2, IC 12-15-2-2, or IC 12-15-7, subtract an amount equal to that portion of the individual's adjusted gross income with respect to which the individual is not allowed under federal law to retain an amount to pay state and local income taxes.

(15) In the case of an eligible individual, subtract the amount of

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a Holocaust victim's settlement payment included in the individual's federal adjusted gross income.

(16) For taxable years beginning after December 31, 1999, subtract an amount equal to the portion of any premiums paid during the taxable year by the taxpayer for a qualified long term care policy (as defined in IC 12-15-39.6-5) for the taxpayer or the taxpayer's spouse, or both.

(17) Subtract an amount equal to the lesser of:

(A) two thousand five hundred dollars (\$2,500); or

(B) the amount of property taxes that are paid during the taxable year in Indiana by the individual on the individual's principal place of residence.

(b) In the case of corporations, the same as "taxable income" (as defined in Section 63 of the Internal Revenue Code) adjusted as follows:

(1) Subtract income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States.

(2) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 170 of the Internal Revenue Code.

(3) Add an amount equal to any deduction or deductions allowed or allowable pursuant to Section 63 of the Internal Revenue Code for taxes based on or measured by income and levied at the state level by any state of the United States.

(4) Subtract an amount equal to the amount included in the corporation's taxable income under Section 78 of the Internal Revenue Code.

(5) Add an amount equal to the net amount excluded from taxable income under Section 501(a) of the Internal Revenue Code from a trade or business that is not directly related to the purposes for which the corporation is exempt from federal income taxation, after subtracting:

(A) any deductions from gross income that would be available under the Internal Revenue Code if the income was not exempt from taxation under Section 501(a) of the Internal Revenue Code; and

(B) income resulting from investment of contributions for which a deduction is allowable under Section 170 of the Internal Revenue Code or the earnings on these contributions in marketable securities, savings accounts, or other cash equivalents if the money is restricted for direct use for an exempt purpose.



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(c) In the case of trusts and estates, "taxable income" (as defined for trusts and estates in Section 641(b) of the Internal Revenue Code):

- (1) reduced by income that is exempt from taxation under IC 6-3 by the Constitution and statutes of the United States; **and**
- (2) increased by an amount equal to the net amount excluded from taxable income under Section 501(a) of the Internal Revenue Code from a trade or business that is not directly related to the purposes for which the corporation is exempt from federal income taxation, after subtracting:**

(A) any deductions from gross income that would be available under the Internal Revenue Code if the income was not exempt from taxation under Section 501(a) of the Internal Revenue Code; and

(B) income resulting from investment of contributions for which a deduction is allowable under Section 170 of the Internal Revenue Code or the earnings on these contributions in marketable securities, savings accounts, or other cash equivalents if the money is restricted for direct use for an exempt purpose.

SECTION 9. IC 6-3-2-2.8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 2.8. Notwithstanding any provision of IC 6-3-1 through IC 6-3-7, there shall be no tax on the adjusted gross income of the following:

- (1) Any organization described in Section 501(a) of the Internal Revenue Code, except: ~~that any~~

(A) income of such organization which is subject to income tax under the Internal Revenue Code; and

(B) the net amount excluded from taxable income under Section 501(a) of the Internal Revenue Code from a trade or business that is not directly related to the purposes for which the corporation is exempt from federal income taxation, after subtracting:

(i) any deductions from gross income that would be available under the Internal Revenue Code if the income was not exempt from taxation under Section 501(a) of the Internal Revenue Code; and

(ii) income resulting from investment of contributions for which a deduction is allowable under Section 170 of the Internal Revenue Code or the earnings on these contributions in marketable securities, savings accounts, or other cash equivalents if the money is restricted for direct use for an exempt purpose;



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shall be subject to the tax under IC 6-3-1 through IC 6-3-7.

(2) Any corporation which is exempt from income tax under Section 1363 of the Internal Revenue Code and which complies with the requirements of IC 6-3-4-13. However, income of a corporation described under this subdivision that is subject to income tax under the Internal Revenue Code is subject to the tax under IC 6-3-1 through IC 6-3-7. A corporation will not lose its exemption under this section because it fails to comply with IC 6-3-4-13 but it will be subject to the penalties provided by IC 6-8.1-10.

(3) Banks and trust companies, national banking associations, savings banks, building and loan associations, and savings and loan associations.

(4) Insurance companies subject to tax under IC 27-1-18-2.

(5) International banking facilities (as defined in Regulation D of the Board of Governors of the Federal Reserve System (12 CFR 204)).

SECTION 10. IC 6-3-2-3.1 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2003]: Sec. 3.1. ~~(a) Except as otherwise provided in subsection (b); Income is not of the following entities is exempt from the adjusted gross income tax or (IC 6-3-1 through IC 6-3-7) and the supplemental net income tax under section 2-8(1) of this chapter if the income is derived by the exempt organization from an unrelated trade or business; as defined in Section 513 of the Internal Revenue Code:~~

~~(b) This section does not apply to: (IC 6-3-8):~~

- ~~(1) The United States government.~~
- ~~(2) An agency or instrumentality of the United States government.~~
- ~~(3) This state.~~
- ~~(4) A state agency, as defined in IC 34-6-2-141.~~
- ~~(5) A political subdivision, as defined in IC 34-6-2-110. or~~
- ~~(6) A county solid waste management district or a joint solid waste management district established under IC 13-21 or IC 13-9.5-2 (before its repeal)."~~

Page 6, line 18, after "land" insert "**not exceeding fifty (50) acres,**".

Page 6, block indent lines 41 through 42.

Page 6, after line 42, begin a new paragraph and insert:

"SECTION 4. IC 6-1.1-10-36.5 IS REPEALED [EFFECTIVE JANUARY 1, 2003].

SECTION 5. [EFFECTIVE UPON PASSAGE] **(a) IC 6-1.1-10-36.3 and IC 6-1.1-11-3, both as amended by this act, and the repeal of IC 6-1.1-10-36.5 by this act, apply only to property taxes first due**



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and payable after December 31, 2002. The department of local government finance shall prescribe and make available forms to comply with IC 6-1.1-11-3, as amended by this act, as soon as practicable after the effective date of this SECTION. Notwithstanding IC 6-1.1-11-3, as amended by this act:

(1) a taxpayer that:

(A) qualifies for a one hundred percent (100%) property tax exemption under IC 6-1.1-10-36.3(b)(1) as amended by this act; and

(B) is exempt under IC 6-1.1-11-3.5 or IC 6-1.1-11-4 from filing a certified property tax exemption application in calendar year 2002;

is not required by the amendment to IC 6-1.1-11-3 by this act to file an exemption application until required by IC 6-1.1-11-3.5 or IC 6-1.1-11-4; and

(2) a taxpayer whose property tax exemption is changed by the amendment to IC 6-1.1-10-36.3 by this act, or the repeal of IC 6-1.1-10-36.5 has until September 1, 2002, to file a certified application under IC 6-1.1-11-3, as amended by this act, that correctly states the amount of the exemption.

(b) IC 6-2.1-3-23, IC 6-2.5-5-25, IC 6-3-1-3.5, IC 6-3-2-2.8, IC 6-3-2-3.1, and IC 6-5.5-2-7, all as amended by this act, apply only to taxable years beginning after December 31, 2003.

(c) The department of local government finance may adopt temporary rules in the manner provided for the adoption of emergency rules under IC 4-22-2-37.1 to implement IC 6-1.1-10-36.3 and IC 6-1.1-11-3, both as amended by this act, and the repeal of IC 6-1.1-10-36.5 by this act. A temporary rule adopted under this subsection expires on the earliest of the following:

(1) The date that another temporary rule adopted under this subsection supersedes the prior temporary rule.

(2) The date that permanent rules adopted under IC 4-22-2 supersede the temporary rule.

(3) July 1, 2004.

(d) The department of state revenue may adopt temporary rules in the manner provided for the adoption of emergency rules under IC 4-22-2-37.1 to implement IC 6-2.1-3-23, IC 6-3-1-3.5, IC 6-3-2-2.8, IC 6-3-2-3.1, and IC 6-5.5-2-7, all as amended by this act. A temporary rule adopted under this subsection expires on the earliest of the following:

(1) The date that another temporary rule adopted under this

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subsection supersedes the prior temporary rule.

(2) The date that permanent rules adopted under IC 4-22-2 supersede the temporary rule.

(3) July 1, 2004."

Page 7, line 1, delete "Pursuant to" and insert "**Notwithstanding**".

Page 7, line 2, delete "IC 6-1.1-10-16, as amended by this act," and insert "**IC 6-1.1-10-16 as it existed before January 1, 2002,**".

Page 7, line 8, delete "." and insert ", **instead of as set forth in IC 6-1.1-10-16 as it existed at the time of the assessment of the church or religious institution's property.**".

Page 7, between lines 19 and 20, begin a new paragraph and insert:

"SECTION 4. [EFFECTIVE UPON PASSAGE] **(a) As used in this SECTION, "committee" refers to the interim study committee on the assessment of property owned by educational, religious, and other nonprofit organizations.**

(b) There is established the interim study committee on the assessment of property owned by educational, religious, and other nonprofit organizations. The committee shall study:

(1) the assessment of property owned by educational, religious, and other nonprofit organizations; and

(2) the property tax exemptions provided to the organizations described in subdivision (1).

(c) The committee shall operate under the policies governing study committees adopted by the legislative council.

(d) The affirmative vote of a majority of the voting members appointed to the committee are required for the committee to take action on any measure, including final reports.

(e) Notwithstanding any other provision of this SECTION, the legislative council may assign the study required under this SECTION to any other interim study committee.

(f) This SECTION expires November 1, 2002."

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 19 as reprinted February 5, 2002.)

BAUER, Chair

Committee Vote: yeas 20, nays 4.



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